



Interim Financial Report for FY2004

(April 2003-March 2004)

November 2003

Osaka Gas Co.,Ltd

Management information is available on Osaka Gas websites.

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL. http://www.osakagas.co.jp/ir/index_e.html

Disclaimer

Certain statements contained herein are forward looking statements, strategy and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trend in Japan, sharp fluctuations in exchange rate and oil prices and extraordinary weather conditions.



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A decorative graphic in the top left corner consisting of overlapping yellow, red, and blue squares with a black crosshair.

I. Overview of financial statements for FY04.3

Important points of the interim account closing



- Gas sales volume (non-consolidated results of Osaka Gas)
 - Residential sales volume increased 8.2% from prior year, and was 3.4% higher than forecast, due to cooler weather.
 - Commercial/industrial sales volume increased 1.2% from prior year and was 2.0% lower than forecast, due to effect of weather on air-conditioning sales and cutbacks in operation in certain industries.
 - Overall sales volume was 3,600 million m³, a 3.0% increase from prior year and 0.7% decrease from the forecast.
- Overview of account settlements
 - Non-consolidated results were affected by (1) Increase of gas sales volume during cooler summer (compared with prior year), (2) foreign exchange fluctuation in relation to crude oil, (3) cost reductions, (4) increase in depreciation expenses during the 1st half-year, and (5) rebound from recording of loss on evaluations in the prior year (compared with prior year)
 - Results of consolidated companies were affected by (1) recovery of business conditions in all markets except the restaurant market, and (2) cost control
- Classification of business segments revised
 - Business segments were reclassified and indirect expenses of Osaka Gas, previously recorded under "Transactions Relating to All Companies under the Group," were appropriately allocated.
- Promotion of SVA management and reinforcement of the energy business sector
 - Additional stocks of Herman Co., Ltd. (gas equipment sales company after company split-up) were assigned to NORITZ.
 - 35% of Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. stocks were acquired. (60% were acquired in prior year.)
 - Examination of proposed construction of connecting pipeline with Chubu Electric Power begun.

Results of 1st half I

Figures in parentheses are ratios of consolidated results to non-consolidated results. Figures under "Forecast" were those announced in April 2003.

Consolidated 100 million yen	FY03.3		FY04.3 1st half		Differences	
	A.1st half		B.Forecast(*)	C.Results	C-A	C-B
Sales	(1.31)	4,093	(1.32) 4,280	(1.31) 4,249	+156	-30
Operating profit	(1.44)	271	(1.34) 275	(1.47) 320	+49	+45
Ordinary profit	(1.36)	190	(1.18) 235	(1.35) 290	+99	+55
Net income after tax	(1.02)	87	(1.00) 105	(1.26) 147	+59	+42
SVA	(---)	-43	(0.32) 6	(1.29) 34	+78	+28

* In a modified forecast of performance results announced September 25, 2003, consolidated ordinary profit of ¥26 billion and net income of ¥12.5 billion were forecast.

Gas sales volume	Million m3	3,496	3,624	3,600	+104	-24
Exchange rates	Yen/\$	123.1	125.0	118.1	-5.0	-6.9
Crude oil prices	\$/bbl	25.6	25.0	28.4	+2.8	+3.4
No. of consolidated subsidiaries		54	76	76	+22	±0

Gas sales volumes shown on this page are non-consolidated results of Osaka Gas Co., Ltd., and the same applies to all pages that follow.

Increase/decrease from prior year (consolidated)



Units: 100 million Yen, Increased results display a plus sign

Sales	+156	Gas sales	+77	Increase of gas sales	+78
				Tariff revision (Feb. 03)	-16
				Influence of oil price and currency exchange rate	+15
				Gas appliances (Non-consolidated)	+49
				Recording of sales of large-scale equipment for industrial use, and other factors	
Addition in and exclusion from consolidation	+32		+32	Newly consolidated subsidiaries (21)	+160
				Exception of Harman	-127
Operating cost	-107	Gas feedstock cost	-102	Increase of gas sales	-18
				Influence of oil price and currency exchange rate	-84
				Cost reduction	+44
				Labor cost	+27
Depreciation cost			-30	Accelerated depreciation of Himeji NO.8 LNG tank	-44
Operating profit	+49				
Others		Non-operating expenses	+50	Loss on securities of subsidiaries (FY03.3)	+43
		Extraordinary Loss	+78	Loss on fixed assets in Kobe Harbor Land(FY03.3)	+105

Increase/decrease from initial forecast (consolidated)

Units: 100 million Yen

Sales	-30	Gas sales	+19	Increase of residential gas sales	+25
				Tariff revision (Feb. 03)	-3
				Influence of oil price and currency exchange rate	-3
		Gas appliances, House- pipe installation	-14		
		Consolidation adjustment	-31		
Operating cost	+76	Gas feedstock cost	-21	Influence of oil price and currency exchange rate	-28
		Gas appliances, House- pipe installation	+39	Due to reduction of cost rate, etc.	
		Cost reduction	+12		
		Depreciation cost	-12	Accelerated depreciation of Himeji NO.8 LNG tank	-44
		Cost reduction of subsidiaries	+31		
Operating profit	+45				

* Increased results display a plus sign Figures under "Forecast" were those announced in April 2003.

Results of 1st half II

Figures under "Forecast" were those announced in April 2003.

In the table below, changes (C-AorB) are compared with the end of March 2003 for balance sheet items, number of employees and shareholders' equity ratio, and with the first half term of the previous year for capital expenditure, depreciation.

Consolidated 100 million yen	FY03.3		1st half of FY04.3		Differences	
	A. 1st half	B. Full year	C. Forecast	D. Results	D-AorB	D-C
Total assets	11,746	12,096	12,195	11,818	-277	-376
Shareholders' equity	4,703	4,532	4,582	4,800	+268	+218
Interest-bearing debt	4,600	4,945	5,229	5,025	+80	-203
Capital expenditure	285	671	374	266	-19	-107
Depreciation	423	828	442	454	+30	+12
Number of employees	14,700	14,005	14,600	14,574	+569	-26
Shareholders' equity ratio	40.0%	37.5%	37.6%	40.6%	+3.1%	+3.0%

The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.)

Overview of energy business

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

100 million yen

	Sales		Net income		References
	1st half results	Full year forecast	1st half results	Full year forecast	
G1	+19 347	+4 742	-2 15	+15 24	Despite exclusion of Harman from consolidation, sales revenue increased due to inclusion of two Nakayama companies, CTS and other companies in consolidation. Income decreased due to decreased installation works in Kinki Piping and other factors.
G2 Liquid gas	+2 97	+2 206	+0 6	+5 11	Both sales revenue and income increased due to increased sales volume in industrial gas market and increased sales price (implemented in response to increased LPG purchase cost).
G3 NIPG	+26 291	-41 652	-0 0	+0 5	Sales revenue increased due to increased sales price (implemented in response to increased LPG purchase cost). However, all of the LPG purchase cost increase could not be passed on to the sales price. As a result, net income declined.
Total of energy business	+48 736	-34 1,600	-2 23	+21 42	

NIPG:Nissho Iwai Sekiyu Gas, CTS:Cogene-Techno-Service

Overview of non-energy business

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

	Sales		Net income		References 100 million yen
	1st half/R	Full year/E	1st half/R	Full year/E	
G4: Urbanex	+1 162	+0 329	+29 17	+14 21	Loss of revenue resulting from the disposal of Harbor Land real estate was covered by expansion of revenues from staffing and placement services in Serendi, and other factors.
G5: Kinrei	-8 78	-10 173	-8 1	-6 8	Sales revenue decreased due to poor sales in existing restaurants. Income decreased due to an increase of the opening cost related to three new units during this period and the recording of sales of OG Royal stocks in the prior year.
G6: OGIS-RI	+7 133	-9 337	+2 -0	+4 10	Sales for the 1st half-year increased by early checking through the downsizing of proposed orders, and other factors.
G7: Osaka Gas chemicals	+6 73	+14 149	+0 2	+2 4	Sales increased due to commencement of full-scale operation of fine material business.
G8: OG Capital	+21 337	+38 778	+7 12	+3 27	Sales increased due to the conclusion of contracts with OG for OSS regular maintenance services, increase of OGS company-owned fitness clubs, and other factors. Profit increased due to a rebound from the recording of losses on the disposal of Kiccory in the prior year.
Total of non-energy business	+28 785	+32 1,768	+31 32	+17 71	
Grand total	+76 1,521	-2 3,369	+29 55	+38 113	OSS: Osaka Gas Security Service, OGS: OG Sports

Interim gas sales

The standard unit calorific value was changed to 45 MJ/m³ from the conventional 46.04655 MJ/m³.

Figures under "Forecast" were those announced in April 2003.		FY03.3	1 st half of FY04.3		Differences	
		A. 1st half	B. Forecast	C. Result	C-A	C-B
Number of meters installed at the end of period(thousands)		6,509	---	6,588	+79	---
Installation of new meters(thousands)		56	55	56	+0	+1
Monthly gas sales per household(m ³ /month)		25.0	25.9	26.9	+1.9	+1.0
Residential use		832	871	900	+8.2%+68	+3.4%+29
Commercial use		521	537	521	+0.0% +0	-2.9% -16
Public and medical use		264	286	275	+3.9%+10	-4.0% -11
Industrial use		1,806	1,852	1,827	+1.2%+21	-1.3% -25
Non-residential total		2,592	2,676	2,623	+1.2%+32	-2.0% -53
Whole sale		72	77	76	+5.5% +4	-0.7% -1
Gas sales total(million m ³)		3,496	3,624	3,600	+3.0%+104	-0.7% -24
Including non-regulated		1,766	1,818	1,789	+23	+29

Residential gas sales

Results for 1st half of FY04.3

*1 Change from the previous year,

*2 Difference from the forecast

Figures under "Forecast"" were those announced in April 2003.

	*1	*2	References
Increase of customers	+0.8%	-0.4%	
Influence of temperature	+8.5%	+3.0%	Actual atmospheric temperature 23.2C(-0.7 versus the prior year, -0.5 versus the forecast), Actual water temperature 22.1C (-0.7 versus the prior year, -0.5 versus the forecast)
Others	-1.1%	+0.8%	Actual results were affected by differences in meter-reading timing (-1.4% versus the prior year)
Total	+8.2%	+3.4%	



Forecast for full year of FY04.3

- Sales volume for the full year is expected to be 2,330 million m3 as initially forecast.
- Efforts for demand development, which have been focused mainly on floor-heating systems, fan heaters and other heating equipment, will greatly contribute to sales expansion in the 2nd half-year.
- The temperature pattern in the 2nd half-year is projected to be the same as that of the standard temperature (average of the temperature patterns over the past five years).

Commercial, public and medical gas sales



*1 Change from the previous year,
*2 Difference from the forecast

Results for 1st half of FY04.3

Figures under "Forecast" were those announced in April 2003.

	*1	*2	References
Demand expansion	+8.7%	0.0%	Breakdown of +8.7% from the prior year: +2.3% by large-scale customers, +2.0% by GHP development and +4.4% by other general development
Influence of temperature	-2.9%	-3.7%	Actual atmospheric temperature 23.2C (-0.7 versus the prior year, -0.5 versus the forecast)
Others	-4.5%	+0.4%	Increase/decrease of operating rates of customers, withdrawals due to discontinuance of business, and other factors
Total	+1.3%	-3.3%	



Forecast for full year of FY04.3

- Sales volume for the full year is expected to be 1,580 million m³ as initially forecast.
- Demand development will focus on renewals of existing air-conditioning systems to maintain the strong sales achieved in the 1st half-year.
- As in the projection for residential sales, the projection for the 2nd half-year is based on the average of the temperature patterns over the past five years.

Industrial gas sales

Results for 1st half of FY04.3

*1 Change from the previous year,
*2 Difference from the forecast

Figures under "Forecast" were those announced in April 2003.

	*1	*2	References
Demand expansion	+6.3%	+0.9%	Forecast demand expansion was almost achieved, including an increase of demand among chemical manufacturers.
Shift to other gas suppliers	-1.7%	± 0	15 consigned gas distribution service contracts (130 million m3) during the current 1st half-year, compared with seven contracts (110 million m3) in the same period last year
Increase/decrease of plant operation	-3.4%	-2.2%	Affected by cutbacks in plant operations for certain customers, a cooler summer, and other factors
Total	+1.2%	-1.3%	



Forecast for full year of FY04.3

- Sales volume for the full year is expected to be 3,650 million m3 as initially forecast.
- It is projected that the operating rate of existing customers' plants will return to the same level as the prior year, recovering from the low level affected by business conditions and a cooler summer during the 1st half-year. It is projected that new demand will be created at the same level as the prior year.

Gas sales forecast of FY04.3

The standard unit calorific value was changed to 45 MJ/m ³ from the conventional 46.04655 MJ/m ³ .		FY03.3 A.Full year	FY04.3		Differences	
			B.Estimated in Apr.	C. Estimated in Oct.	C-A	C-B
Number of meters installed at the end of period(thousands)		6,562	6,635	6,635	+1.1% +73	±0
Installation of new meters(thousands)		135	131	131	-4	±0
Monthly gas sales per household(m ³ /month)		34.5	34.6	34.6	+0.3%+0.1	±0
Residential use		2,298	2,334	2,334	+1.6% +36	±0
Commercial use		986	1,012	1,012	+2.6% +26	±0
Public and medical use		550	570	570	+3.6% +20	±0
Industrial use		3,686	3,659	3,659	0.7% -27	±0
Non-residential total		5,222	5,241	5,241	+0.4% +19	±0
Whole sale		168	173	173	+3.0% +5	±0
Gas sales total(million m ³)		7,687	7,748	7,748	+0.8% +61	±0
Including large supply		3,562	3,571	3,571	+9	±0

Full year forecast of FY04.3 I

The standard unit calorific value was changed to 45 MJ/m³ from the conventional 46.04655 MJ/m³.

Consolidated 100 million yen	FY03.3 A. Full year	FY04.3		Differences	
		B. Estimated in Apr.	C. Estimated in Oct.	C-A	C-B
Sales	9,479	9,660	9,660	+180	±0
Operating profit	859	845	845	-14	±0
Ordinary profit	650	775	775	+124	±0
Net income after tax	296	425	425	+128	±0
SVA	31	220	220	+188	±0

Gas sales volume	million m ³	7,687	7,748	7,748	+61	±0
Exchange rates	yen/\$	122.0	125.0	116.5	-5.4	-8.5
Crude oil prices	\$/bbl	26.9	25.0	28.7	+1.8	+3.7
No. of consolidated subsidiaries		56	76	77	+21	+1

Full year forecast of FY04.3 II

Consolidated 100 million yen	FY03.3 A. Full year	FY04.3		Differences	
		B. Estimated in Apr.	C. Estimated in Oct.	C-A	C-B
Total assets	12,096	12,507	12,507	+410	± 0
Shareholders' equity	4,532	4,848	4,848	+315	± 0
Interest-bearing debt	4,945	5,122	5,122	+176	± 0
Capital expenditure	671	809	809	+137	± 0
Depreciation	828	884	884	+55	± 0
Free cash flow	237	565	565	+327	± 0
Number of employees	14,005	14,400	14,400	+395	± 0
ROA	2.4%	3.4%	3.4%	+0.9	± 0
ROE	6.4%	9.0%	9.0%	+2.5	± 0
Shareholders' equity ratio	37.5%	38.8%	38.8%	+1.3	± 0
EPS (Yen/Share)	12.6	18.5	18.5	+5.9	± 0

The numerators of both ROA and ROE are net income after tax; the denominators are the average of the levels at the beginning and end of the applicable period. In computing the EPS values, the average number of outstanding shares at the beginning and end of the applicable period was used. The diluted EPS is not shown since there were no outstanding convertible bonds or other common stock equivalents.

The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.) Free Cash Flow = cash flow in business operation (operating profit after tax + depreciation expenses and other non-cash expenses) – capital expenditures

II. Major events in 1st half of FY04

Residential energy marketing

- Sales activities of main appliances

Thousand units		FY03.3		FY04.3	
		1st half	Full year	1st half/R	Full year/E
	New houses/buildings	84	125	82	112
	Existing houses/buildings	21	40	19	50
Total of floor heating system		105	165	101	162
Fan heater		32	188	32	210
Glass top cooking stove		9	38	28	62
"ECOWILL"		0	0	1.6	2.0

Floor heating and ECOWILL are reported on a contract basis for new houses and on a wholesale basis for existing houses (sub-user refurbishments are regarded as new houses); FHs are reported on an installation basis; and cooking stoves are reported on a wholesale basis.

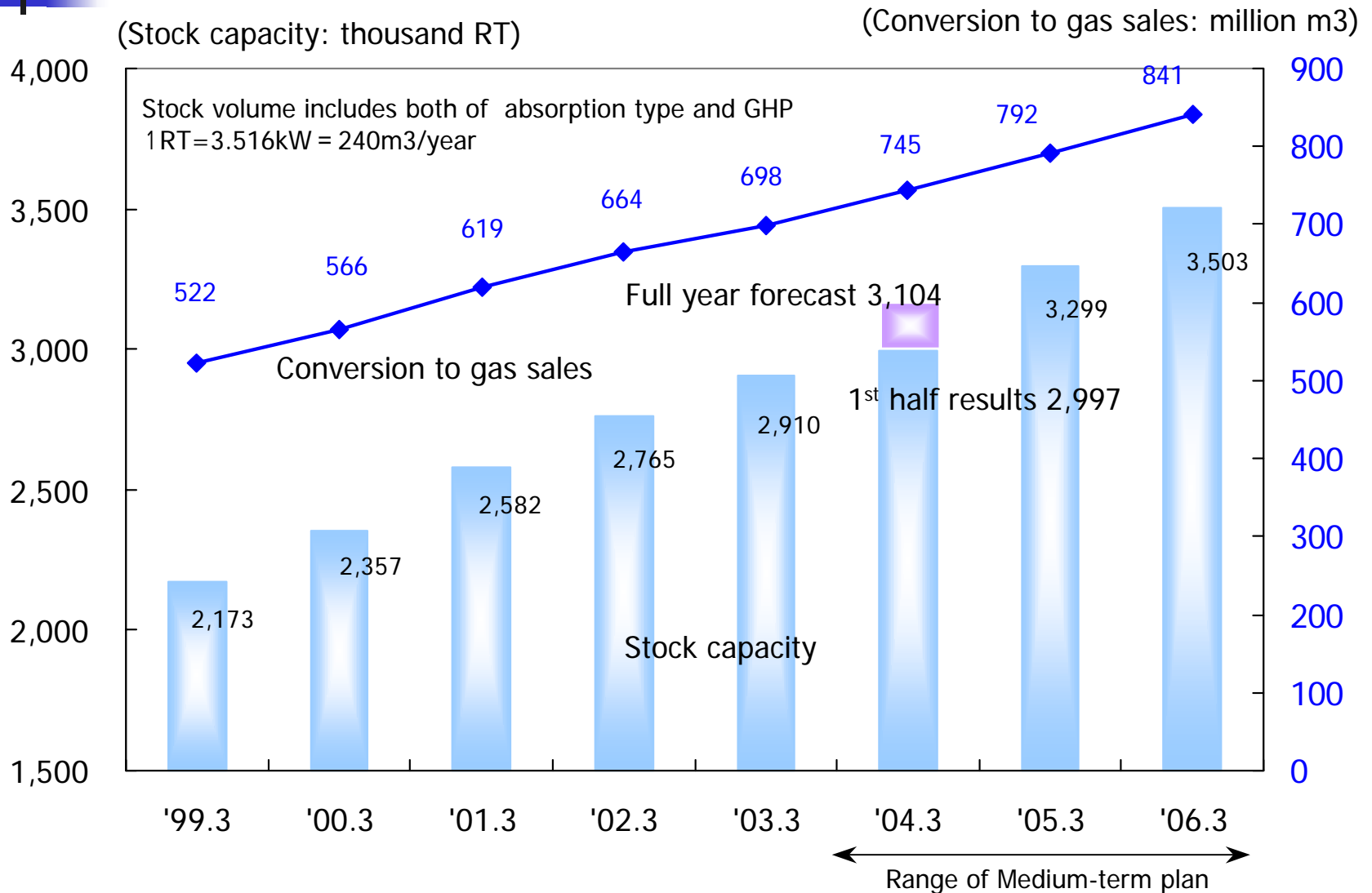
- Other sales activities

- CGS for apartment complexes
- Expansion of mass retailer sales channels for fan heaters and other products (15 existing retailers and 6 new retailers, 450 total units)
- High value-added proposal through combination of gas equipment + automatic accident report service + Internet + other services

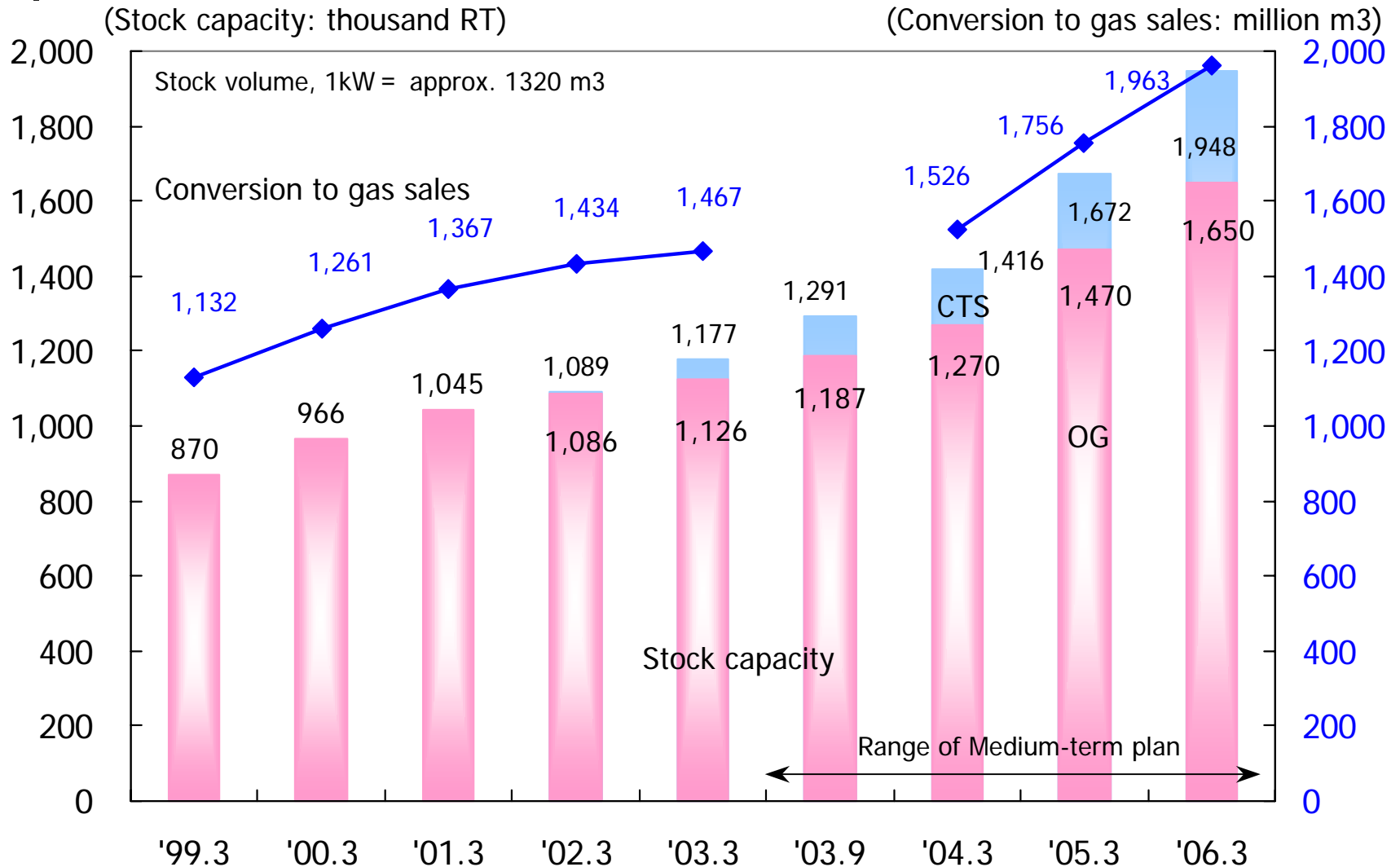
Non-residential energy marketing

- Diffusion and expansion of cogeneration systems
 - Development of high-generation-efficiency GEs.
 - Development of engines of 300–2,400 kW capacity achieving over 40% generation efficiency was completed.
 - Generation efficiency of 43–44% was achieved in the 6MW class.
 - Acquisition of contracts for “Dengen” co-generation (customers’ surplus electricity from cogeneration plants)
 - Currently, informal agreements have been concluded with two customers for approximately 70MW (including private consumption).
 - Cultivation of small-lot electricity market through provision of micro-cogeneration series such as 8 kW and 22 kW classes.
- Expansion into wider geographic area; marketing to series owners outside service area
 - Standardization of GHP for electric appliance mass retailers
- Strengthening solution-proposal type marketing ability
 - Further diversification of energy finance schemes
 - Introduction of remote monitoring and control system, which is used in CGS (Sky Remote), into air-conditioning systems
- Development of demands for thermal energy in the existing commercial market

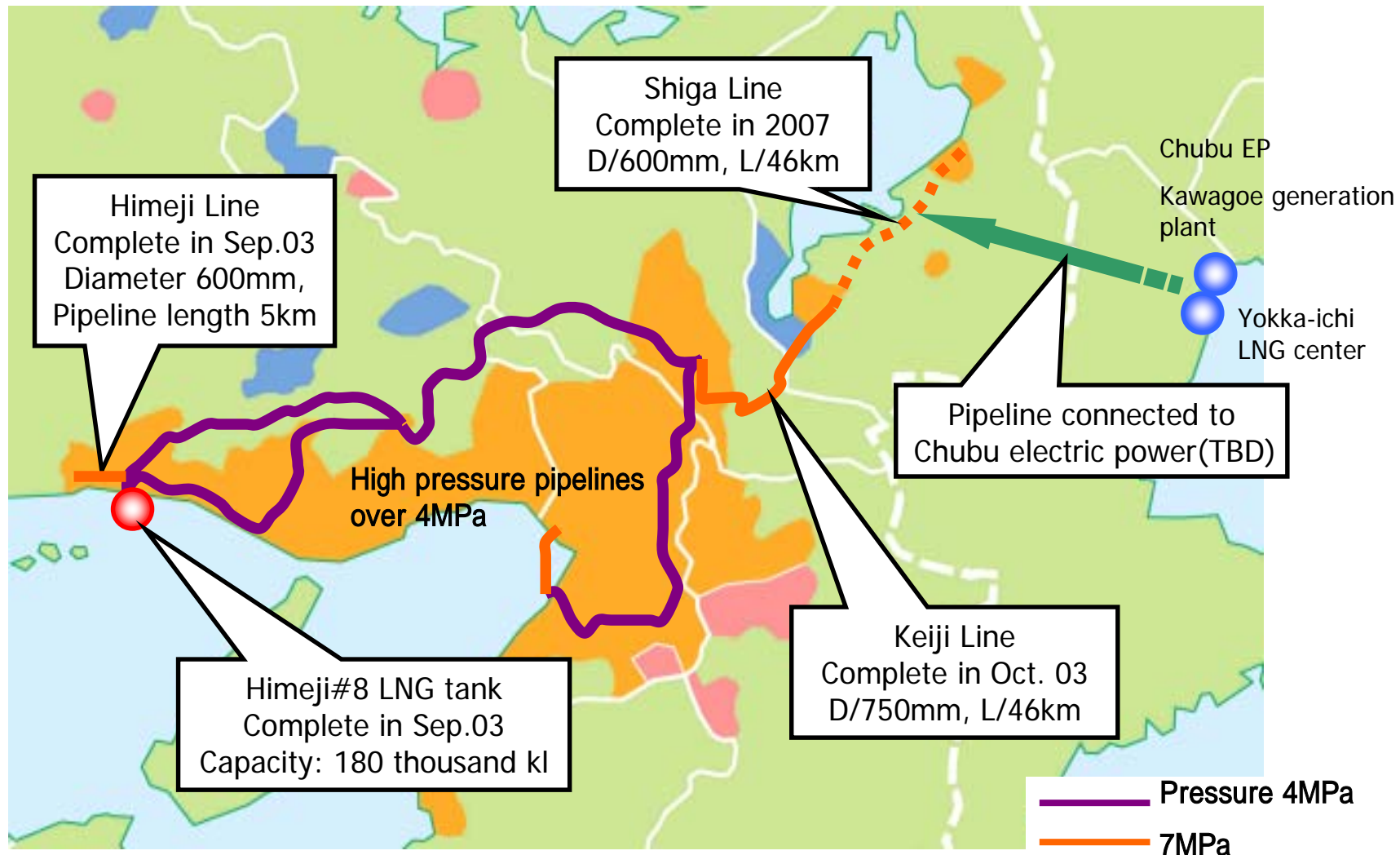
Sales plan of gas air-conditioning systems



Development of demand for co-generation systems



Expanded infrastructure for NG business



Progress of the electricity business

- IPP
 - Three sites are operating with 450MW capacity in total: Torishima Energy Center, Nakayama Joint Power Generation, and Nakayama Nagoya Joint Power Generation.
- Expansion and sales of internal power sources
 - Informal agreements were concluded and are being negotiated to supply 50MW power generated by the Himeji Plant (to be completed in June 2004) with excess electricity generated by CGS.
 - Marketing activities were conducted for a power source that will start operation in March 2005 (approx. 100MW capacity). Informal supply agreements were concluded with about 20 customers for approx. 60MW (Osaka Gas sells wholesale to ENET, and then ENET retails.)
- Progress of environmental assessment of the 1,600 MW Semboku Power Plant
 - In June 2003, examination of a statement of environmental assessment methods by METI, Osaka Prefecture and local municipal offices was completed. The present state of the plant is currently being examined.
- Activities of ENNET in the Kansai region
 - At the end of September 2003, ENNET had electric power supply contracts with about 30 customers for approx. 90MW supply

III. Facts and figures

Reclassification of business segments

- Reclassification of business segments was implemented for interim account closing for the six months ended September 30, 2003.
 - Business segments were reclassified as follows:

Former classification	Revised classification	
1. Gas	1. Gas	} Energy business
2. House-pipe installation	2. LPG, electricity, and other energies	
3. Gas appliances	3. Gas appliances and house-pipe installation	
4. LPG and industrial gas	4. Real estate	} Non-energy business
5. Real estate leasing	5. Other businesses	
6. Other businesses		

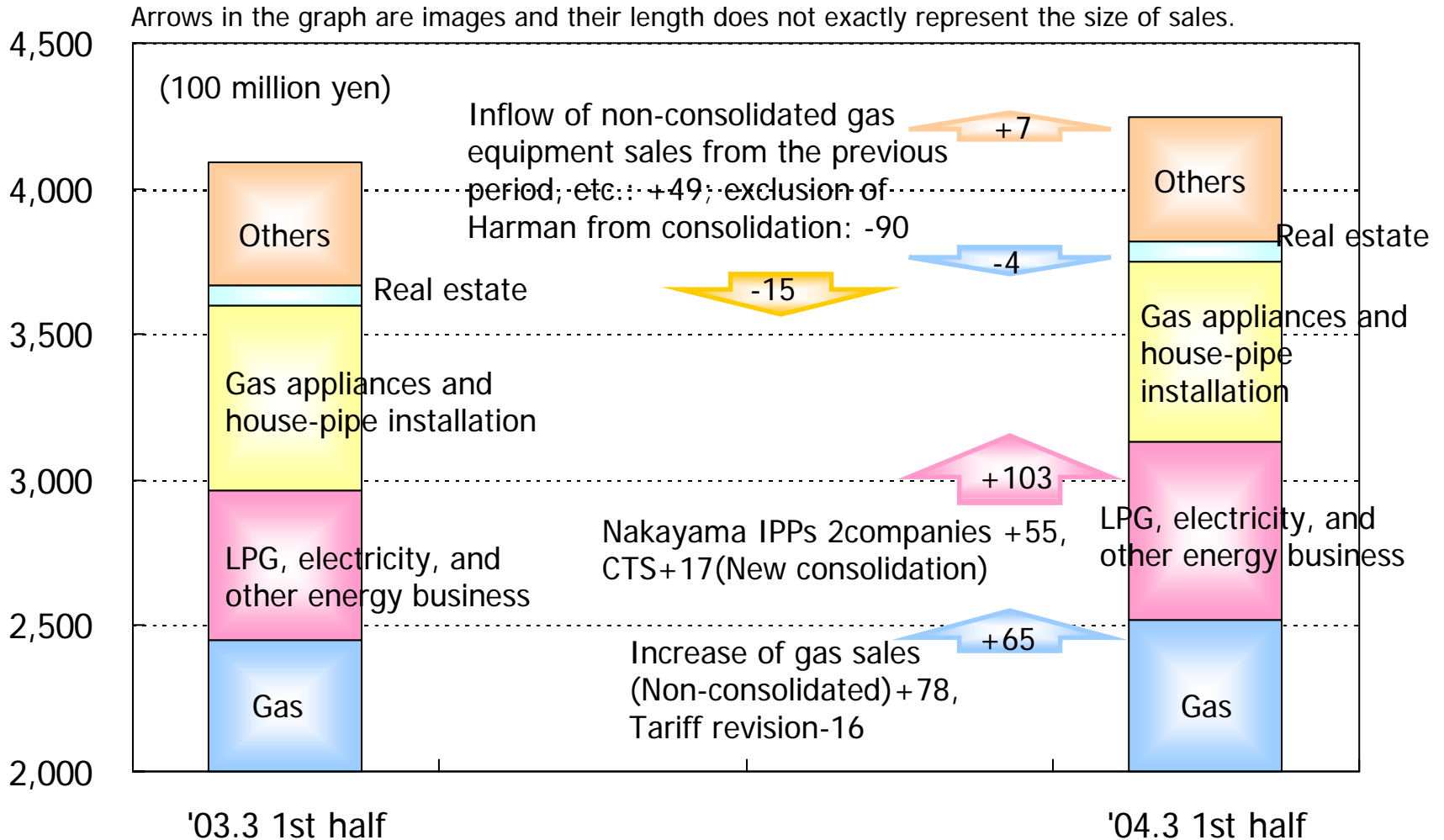
- Administrative expenses of Osaka Gas Co., Ltd., previously included under "Transactions Relating to All Companies under the Group," are now allocated to individual business segments and reported as part of their operating expenses.



Reason for Reclassification

- Classification of business segments should be consistent with the classifications of Energy Business and Urban Business
- The operating profit status of each business segment should be properly presented.

Sales by segments (to customers outside the group)



Operating profit by segments

Arrows in the graph are images and their length does not exactly represent the size of sales. The graph below does not reflect the elimination of operating profit of ¥600 million for consolidation.

